

TOWNSHIP OF HAZELTON  
SHIAWASSEE COUNTY, MICHIGAN

GENERAL PURPOSE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>Napeleon</i>		County <i>Shawano</i>
Audit Date <i>3/13/04</i>	Opinion Date <i>1/28/05</i>	Date Accountant Report Submitted to State: <i>3/23/05</i>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- yes  no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes  no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes  no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes  no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes  no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes  no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- yes  no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- yes  no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes  no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			y
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name) <i>Sandy E. Gaudette CPA</i>			
Street Address <i>1107 E. 8th Street</i>		City <i>Napeleon OH</i>	State <i>MI</i>
Accountant Signature <i>Sandy Gaudette CPA</i>		ZIP <i>44896</i>	

TABLE OF CONTENTS

	<u>Page</u>
Organization	1
Independent Auditor's Report	2-3
General Purpose Financial Statements:	
Combined Balance Sheets - All Fund Types and Account Group	4
Combined Statements of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Special Revenue Funds	6
Notes To Financial Statements	7-19
Supplementary Data:	
Comparative Balance Sheet - General Fund	20
Combining Balance Sheet - All Special Revenue Funds	21
Combining Statements of Special Revenues, Expenditures and Changes in Fund Balance - All Special Revenue Funds	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	23-25
Garbage Collection Fund	26
Road Fund	27
Statement of Changes in Assets and Liabilities- Agency Fund	28
Comments and Recommendations	29

INTRODUCTORY SECTION

TOWNSHIP OF HAZELTON  
ORGANIZATION  
MARCH 31, 2004

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TOWNSHIP OFFICIALS AND MEMBERS

Jim Sheridan	Supervisor
Cheryl Pope	Treasurer
Rebecca Hart	Clerk
Bill Raleigh	Trustee
Allen Gross	Trustee

Members of the Township Board  
Township of Hazelton  
Shiawassee County, Michigan

***Independent Auditor's Report***

We have audited the accompanying general purpose financial statements of the Township of Hazelton, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Hazelton's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Hazelton, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Independent Auditor's Report  
Township of Hazelton  
Page 2

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Hazelton. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Sam Stoddell, M.P.*

January 28, 2005

FINANCIAL SECTION

General Purpose Financial Statements

TOWNSHIP OF HAZELTON  
 COMBINED BALANCE SHEETS  
 ALL FUND TYPES AND ACCOUNT GROUP  
 MARCH 31, 2004

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	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<u>ASSETS</u>		
Cash	\$ 25,511	\$ 19,477
Taxes receivable	1,926	7,544
Prepaid expense	12,484	
Due from other funds	28,422	108,843
Property, plant & equipment		
	<u>\$ 68,343</u>	<u>\$ 135,864</u>
<u>LIABILITIES &amp; FUND EQUITY</u>		
LIABILITIES:		
Accounts payable	\$ 9,287	\$
Due to other funds		
Due to other governments		
	<u>9,287</u>	
TOTAL LIABILITIES		
FUND EQUITY:		
Investment in general fixed assets		
Fund balance:		
Restricted	12,484	135,864
Unrestricted	46,572	
	<u>59,056</u>	<u>135,864</u>
TOTAL FUND EQUITY		
TOTAL LIABILITIES & FUND EQUITY		
	<u>\$ 68,343</u>	<u>\$ 135,864</u>

See notes to financial statements

<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	<u>Totals (Memorandum Only)</u>	
		March 31,	
<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>2004</u>	<u>2003</u>
\$ 319,087	\$	\$ 364,075	\$ 435,785
		9,470	9,928
		12,484	8,053
		137,265	81,953
	<u>378,250</u>	<u>378,250</u>	<u>373,129</u>
<u>\$ 319,087</u>	<u>\$ 378,250</u>	<u>\$ 901,544</u>	<u>\$ 908,848</u>
\$	\$	\$ 9,287	\$ 43,000
137,265		137,265	81,953
<u>181,822</u>		<u>181,822</u>	<u>212,526</u>
<u>319,087</u>		<u>328,374</u>	<u>337,479</u>
	378,250	378,250	373,129
		148,348	144,394
		<u>46,572</u>	<u>53,846</u>
	<u>378,250</u>	<u>573,170</u>	<u>571,369</u>
<u>\$ 319,087</u>	<u>\$ 378,250</u>	<u>\$ 901,544</u>	<u>\$ 908,848</u>

TOWNSHIP OF HAZELTON  
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED MARCH 31, 2004**

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	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
REVENUES:		
Taxes	\$ 43,415	\$ 66,307
Licenses & permits	108	
State grants	117,306	
Charges for services	15,389	92,130
Interest	1,358	125
Other	<u>2,804</u>	
TOTAL REVENUES	<u>180,380</u>	<u>158,562</u>
EXPENDITURES:		
Current:		
Legislative	30,215	
General government	41,472	
Public safety	21,803	
Public works	26,275	159,039
Culture & recreation		
Unallocated	11,031	
Capital outlay	<u>12,481</u>	
TOTAL EXPENDITURES	<u>143,277</u>	<u>159,039</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>37,103</u>	<u>( 477)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in		
Operating transfers (out)		
TOTAL OTHER FINANCING SOURCES (USES)		
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	37,103	( 477)
PRIOR PERIOD ADJUSTMENT	( 39,948)	
FUND BALANCE, beginning	<u>61,899</u>	<u>136,341</u>
FUND BALANCE, ending	<u>\$ 59,054</u>	<u>\$ 135,864</u>

See notes to financial statements.

Totals (Memorandum Only)

Year Ended

March 31,

<u>2004</u>	<u>2003</u>
\$ 109,722	\$ 118,279
108	109
117,306	123,974
107,519	110,093
1,483	3,157
<u>2,804</u>	<u>741</u>
<u>338,942</u>	<u>356,353</u>
30,215	24,600
41,472	39,138
21,803	14,609
185,314	252,164
	1,700
11,031	23,173
<u>12,481</u>	<u>20,416</u>
<u>302,316</u>	<u>375,800</u>
<u>36,626</u>	<u>( 19,447)</u>
	20,416
	<u>( 20,416)</u>
36,626	( 19,447)
( 39,948)	
<u>198,240</u>	<u>217,687</u>
<u>\$ 194,918</u>	<u>\$ 198,240</u>

TOWNSHIP OF HAZELTON  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL AND SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2004**

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	General Fund		
	Original Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 47,911	\$ 43,415	\$( 4,496)
Licenses & permits	108	108	
State grants	114,114	117,306	3,192
Charges for services	16,500	15,389	( 1,111)
Interest	2,970	1,358	( 1,612)
Other	2,800	2,804	4
TOTAL REVENUES	184,403	180,380	( 4,023)
EXPENDITURES:			
Current:			
Legislative	31,474	30,215	1,259
General government	46,278	41,472	4,806
Public safety	30,167	21,803	8,364
Public works	68,843	26,275	42,568
Unallocated	7,173	11,031	( 3,858)
Capital outlay		12,481	( 12,481)
TOTAL EXPENDITURES	183,935	143,277	40,658
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 468	37,103	\$ 36,636
PRIOR PERIOD ADJUSTMENT		( 39,948)	
FUND BALANCE, beginning		61,899	
FUND BALANCE, ending		\$ 59,054	

See notes to financial statements

Special Revenue Fund

<u>Original</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
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\$ 75,798	\$ 66,307	\$( 9,491)
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92,463	92,130	( 333)
	125	125

<u>168,261</u>	<u>158,562</u>	<u>( 9,699)</u>
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168,261	159,039	9,222
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<u>168,261</u>	<u>159,039</u>	<u>9,222</u>
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<u>\$</u>	( 477)	<u>\$( 477)</u>
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136,341

\$ 135,864

TOWNSHIP OF HAZELTON  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004  
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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Introduction**

The Township of Hazelton (Township) complies with Generally Accepted Accounting Principles (GAAP). The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Township's financial activities for the fiscal year ended March 31, 2004.

**B. Reporting Entity**

The Township of Hazelton was organized in 1944 and has a population of 1,698. The Township operates under a Board-Supervisor form of government and provides services in many areas including law enforcement, street development and maintenance, fire protection, sanitation and general administrative services.

In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Township's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Township and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Township and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing

TOWNSHIP OF HAZELTON  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004  
(Continued)

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Reporting Entity - Continued**

relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, the financial statements of certain other governmental organizations are not included in the financial statements.

**C. Funds and Account Groups**

The accounts of the Township are organized on the basis of funds and an account group, each of which is considered to be a separate accounting entity.

The major fund categories and account group are:

**Governmental Fund Types**

These funds are those through which most governmental functions typically are financed. The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of the financial resources) rather than upon net income. The following is a description of the Governmental Fund Types of the Township:

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Revenues are derived primarily from property taxes, State distributions and grants and other intergovernmental revenues.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. These funds include the Township Garbage Collection Fund and Road Fund.

TOWNSHIP OF HAZELTON  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004  
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Funds and Account Groups - Continued

Governmental Fund Types - Continued

Debt Service Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Township paid off its long-term debt in the prior fiscal year.

Fiduciary Fund Types

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The Township has one Fiduciary Fund as follows:

Agency Funds

Agency Funds are purely custodial in nature (assets equal liabilities) and thus, do not involve measurement of results of operations. The Township's Current Tax Collection Fund is an Agency Fund.

Account Group

Account Groups are not funds; they do not reflect available financial resources and related liabilities, but are accounting records of the following:

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets.

General Long-Term Debt Account Group

The General Long-Term Debt Account Group is used to record the outstanding long-term obligations not otherwise recorded in Proprietary or Non-Expendable Trust Funds.

TOWNSHIP OF HAZELTON  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004  
(Continued)

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Total Columns (Memorandum Only)**

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

**E. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Modified Accrual

All Governmental Funds (General and Special Assessment Funds) are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, property taxes and other revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seem certain.

TOWNSHIP OF HAZELTON  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED MARCH 31, 2004  
(Continued)

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**F. Budgets**

The annual operating budget was adopted by the Township for the General Fund in accordance with Public Act 621 of 1978.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. At the first meeting in March, the Supervisor submits to the Township , a proposed operating budget for the year commencing the following April 1st. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to April 1st, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
- d. Budget amendments are made by the Township as the need arises during the year.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.
- g. The original budget was not amended during the year. The budget to actual expenditures in the financial statements represent the final budgetary expenditures.

**G. Encumbrance System**

The Township does not use an encumbrance system.

TOWNSHIP OF HAZELTON  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED MARCH 31, 2004  
(Continued)

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. Assets and Liabilities**

**1. Cash and investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township of Hazelton to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated one bank for the deposit of Township funds.

The Township's deposits and investments are in accordance with statutory authority.

**2. Inventories**

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund inventories are not recorded.

TOWNSHIP OF HAZELTON  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004  
(Continued)

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. Assets and Liabilities - Continued**

**3. Fixed Assets and Depreciation**

Property, plant, and equipment of all funds are stated at historical cost. Donated fixed assets are stated at their fair market value on the date donated. Governmental fund fixed assets are recorded in the General Fixed Asset Account Group and are not depreciated.

**4. Capitalized Interest**

Generally accepted accounting principles require that interest expenditures incurred during construction of assets be capitalized. They are capitalized only to the extent that interest cost exceeds interest earned on related interest bearing investments. The Township did not capitalize interest on fixed assets in the current fiscal year.

**I. Allowance for Doubtful Accounts**

The Township does not use an allowance for doubtful accounts.

**J. Accrued Vacation and Sick Leave**

The Township does not maintain a policy providing sick and vacation benefits for its employees.

**K. Fund Balance Restricted**

The Fund Balance Restricted amount reflects an offset for the assets of the Garbage Collection and Road Funds which are to be used for only the Garbage Collection and Road Expenditures. The General Fund restricted amount reflects an offset for prepaid insurance.

TOWNSHIP OF HAZELTON  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED MARCH 31, 2004  
 (Continued)

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**NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
General Government:			
Auditor's fee	\$ 3,100	\$ 5,250	\$( 2,150)
Dues & memberships		1,007	( 1,007)
Assessor	11,860	12,127	( 267)
Supervisor-supplies	128	184	( 56)
Clerk-supplies	212	1,582	( 1,370)
Election-supplies		136	( 136)
Board of review	1,200	1,290	( 90)
Hall & grounds	2,162	2,892	( 730)
Pension	5,760	5,769	( 9)
Public Works:			
Drain at large	22,072	22,504	( 432)
Unallocated	7,173	11,031	( 3,858)
Capital outlay		12,481	(12,481)

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS**

**A. Assets**

**1. Deposits and Investments**

The Township's deposits are in accordance with statutory authority. The GASB Statement No. 3 risk disclosure for the Township's cash deposits are as follows:

TOWNSHIP OF HAZELTON  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED MARCH 31, 2004  
 (Continued)

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**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**1. Deposits and Investments - Continued**

	<u>Per Book</u>	<u>Per Bank</u>
Insured (FDIC)	\$364,075	\$454,932
Uninsured:		
Uncollateralized	_____	_____
Total	<u>\$364,075</u>	<u>\$454,932</u>

**2. Property Taxes Receivable and Property Tax Calendar**

	<u>Mills</u>	<u>Adjusted Levy</u>	<u>Collections</u>	<u>Real Delinquent</u>
Township:				
General	.9518	\$ 47,911	\$ 45,985	\$ 1,926
Roads	<u>1.4788</u>	<u>74,442</u>	<u>71,449</u>	<u>2,993</u>
Total	<u>2.4307</u>	<u>\$122,353</u>	<u>\$ 117,434</u>	<u>\$ 4,919</u>

The Township bills and collects its own property taxes. The Township paid the DDA a total of \$13,370 from the collections. The Township also collects taxes for the County and School Districts. These taxes are accounted for in the Agency Fund.

Details of the property tax calendar are as follows:

Levy date: March 1st  
 Lien date: January 1st  
 Due date: June 1st and September 1st

The Township's Taxable Valuation is \$50,343,556 for 2003.

Property tax revenues are recognized in the fiscal year for which they have been levied and become available. Available means when due, or past due and receivable within the current period and collected within the

TOWNSHIP OF HAZELTON  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED MARCH 31, 2004  
 (Continued)

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**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**2. Property Taxes Receivable and Property Tax Calendar - Calendar**

current period or expected to be collected soon enough thereafter to be used to pay current period liabilities. The current period referred to here is a period of time not exceeding 60 days.

**3. Property and Equipment**

A summary of the changes in general fixed assets follows:

	03/31/03			03/31/04
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Elwood cemetery lots	\$ 43,600	\$	\$	\$ 43,600
Community hall land	6,000			6,000
Fire hall land	6,000			6,000
Community hall building	43,714			43,714
Fire hall building	41,779			41,779
Cemetery equipment	7,360	6,204	7,360	6,204
Fire trucks & equipment	204,949	6,277		211,226
Office equipment	<u>19,727</u>			<u>19,727</u>
<b>Total</b>	<u>\$ 373,129</u>	<u>\$ 12,481</u>	<u>\$ 7,360</u>	<u>\$378,250</u>

TOWNSHIP OF HAZELTON  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004  
(Continued)

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**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**B. Liabilities**

**1. Risk management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal League & Property Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation.

This policy complies with Act 294, P.A. 1972, as amended.

**C. Interfund Transactions**

Following is a description of the basic types of interfund transactions and the related accounting policy:

Transactions for services rendered or facilities provided; these transactions are recorded as revenue in the receiving fund and expenditures in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them; these transactions are recorded as transfers in and transfers out.

Interfund transactions are not eliminated for financial presentation purposes.

TOWNSHIP OF HAZELTON  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED MARCH 31, 2004  
 (Continued)

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**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**C. Interfund Transactions - Continued**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 28,422	Agency	\$ 137,265
Garbage Collection	45,075		
Road	<u>63,768</u>		
	<u>\$ 137,265</u>		<u>\$ 137,265</u>

**NOTE 4: PENSION PLAN**

The Township paid \$5,769 to fund a Manulife Financial Defined Contribution Pension Plan for the fiscal year 2003-04. The Township Supervisor, Treasurer, Clerk and two Trustees are the participants in the plan and are fully vested. The plan is funded only by the Township. The original effective date of Plan Adoption was August 1, 1969. All elected officials or individuals appointed to a Township office are eligible.

**NOTE 5: INDIVIDUAL FUNDS PRESENTATION**

The General, Debt Service and Agency Funds (Tax Collection Fund) are the only Township funds of their individual fund kind. Therefore, they are not presented in a combining statement in the supplemental data portion of this report.

**NOTE 6: RELATED PARTY TRANSACTIONS**

Nothing came to our attention during the audit effort that would warrant separate mention related to transactions between the Township and its employees and/or elected officials.

TOWNSHIP OF HAZELTON  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED MARCH 31, 2004  
(Continued)

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**NOTE 7: SUBSEQUENT EVENTS**

The Township incurred from May 24, 2004 to September 15, 2004 \$113,692.97 in bills from the County Road Commission, of which \$50,000 was paid on December 4, 2004. Another \$42,760.00 was paid for fire equipment on December 4, 2004.

**NOTE 8: COMPARATIVE DATA**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative (i.e. presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE 9: PRIOR PERIOD ADJUSTMENT**

The General Fund fund balance for the prior year had to be reduced by \$39,948 to reconcile to the Tax Collection Fund due to other funds.

SUPPLEMENTARY DATA SECTION

Individual Fund Statements

TOWNSHIP OF HAZELTON  
**COMPARATIVE BALANCE SHEET**  
**GENERAL FUND**  
MARCH 31, 2004 AND 2002  
=====

	March 31,	
	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 25,511	\$ 80,264
Taxes receivable	1,926	2,127
Prepaid expense	12,484	8,053
Due from other funds	<u>28,422</u>	<u>14,455</u>
TOTAL ASSETS	<u>\$ 68,343</u>	<u>\$104,899</u>
 <u>LIABILITIES &amp; FUND BALANCE</u>		
LIABILITIES:		
Accounts Payable	\$ 9,287	\$ 43,000
FUND BALANCE:		
Restricted	12,484	8,053
Unrestricted	<u>46,572</u>	<u>53,846</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 68,343</u>	<u>\$104,899</u>

TOWNSHIP OF HAZELTON  
 COMBINING BALANCE SHEETS  
 ALL SPECIAL REVENUE FUNDS  
 MARCH 31, 2004 AND 2002  
 =====

	<u>Garbage Collection Fund</u>	<u>Road Fund</u>	<u>Totals</u>	
			<u>March 31, 2004</u>	<u>2003</u>
<u>ASSETS</u>				
Cash	\$ 19,254	\$ 223	\$ 19,477	\$ 61,042
Taxes receivable	4,551	2,993	7,544	7,801
Due from other funds	<u>45,075</u>	<u>63,768</u>	<u>108,843</u>	<u>67,498</u>
TOTAL ASSETS	<u>\$ 68,880</u>	<u>\$ 66,984</u>	<u>\$135,864</u>	<u>\$136,341</u>
<u>LIABILITIES &amp; FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$	\$	\$	\$
FUND BALANCE:				
Restricted	<u>68,880</u>	<u>66,984</u>	<u>135,864</u>	<u>136,341</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 68,880</u>	<u>\$ 66,984</u>	<u>\$135,864</u>	<u>\$136,341</u>

TOWNSHIP OF HAZELTON  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
ALL SPECIAL REVENUE FUNDS**  
FOR THE YEAR ENDED MARCH 31, 2004

=====

	<u>Garbage Collection Fund</u>	<u>Road Fund</u>
REVENUES:		
Taxes	\$	\$ 66,307
Special assessments	92,130	
Interest	<u>125</u>	<u>          </u>
TOTAL REVENUES	<u>92,255</u>	<u>66,307</u>
EXPENDITURES:		
Public works:		
Garbage collection	95,944	
Road maintenance	<u>          </u>	<u>63,095</u>
TOTAL EXPENDITURES	<u>95,944</u>	<u>63,095</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	( 3,689)	3,212
FUND BALANCE, beginning	<u>72,569</u>	<u>63,772</u>
FUND BALANCE, ending	<u>\$ 68,880</u>	<u>\$ 66,984</u>

<u>Totals</u>	
Year Ended	
March 31,	
<u>2004</u>	<u>2003</u>
\$ 66,307	\$ 71,962
92,130	92,241
<u>125</u>	<u>185</u>
<u>158,562</u>	<u>164,388</u>
95,944	88,851
<u>63,095</u>	<u>61,891</u>
<u>159,039</u>	<u>150,742</u>
( 477)	13,646
<u>136,341</u>	<u>122,695</u>
<u>\$ 135,864</u>	<u>\$ 136,341</u>

TOWNSHIP OF HAZELTON  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
FOR THE YEAR ENDED MARCH 31, 2004

=====

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Taxes	\$ 47,911	\$ 43,415	\$( 4,496)
Licenses & permits	108	108	
State grants	114,114	117,306	3,192
Charges for services	16,500	15,389	( 1,111)
Interest	2,970	1,358	( 1,612)
Other	<u>2,800</u>	<u>2,804</u>	<u>4</u>
TOTAL REVENUES	<u>184,403</u>	<u>180,380</u>	<u>( 4,023)</u>
EXPENDITURES:			
Current:			
Legislative:			
Governing body-salaries		27,250	
Advertising		507	
Postage		416	
Telephone		466	
Miscellaneous		<u>1,576</u>	
Total Legislative	<u>31,474</u>	<u>30,215</u>	<u>1,259</u>
General Government:			
Auditor's fee	3,100	5,250	( 2,150)
Dues & memberships		1,007	( 1,007)
Assessor-salary	11,860	11,183	677
Assessor-supplies		944	( 944)
Supervisor-supplies	128	184	( 56)
Treasurer-supplies	5,658	3,210	2,448
Clerk-supplies	212	1,582	( 1,370)
Election-supplies		136	( 136)
Board of review	1,200	1,290	( 90)
Cemetery-salaries	15,324	5,111	10,213
Cemetery-supplies		2,914	( 2,914)
Cemetery-insurance	874		874
Hall & grounds-repairs		558	( 558)
Hall & grounds-utilities	2,162	2,334	( 172)
Pension	<u>5,760</u>	<u>5,769</u>	<u>( 9)</u>
Total General Government	<u>46,278</u>	<u>41,472</u>	<u>4,806</u>

TOWNSHIP OF HAZELTON  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
 FOR THE YEAR ENDED MARCH 31, 2004  
 (Continued)

=====

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES: Continued			
Current:			
Public safety:			
Fire protection:			
Salaries		4,485	
Supplies & maintenance		8,247	
Insurance		4,530	
Dues		220	
Utilities		2,828	
Payments to other fire departments		1,493	
Total Public Safety	30,167	21,803	8,364
Public works:			
Road maintenance	46,000	3,000	43,000
Drains at large	22,072	22,504	( 432)
Street lighting	771	771	
Total Public Works	68,843	26,275	42,568
Unallocated:			
Health donation		300	( 300)
Miscellaneous	1,000		1,000
Insurance	4,317	8,053	( 3,736)
Workmen's compensation		822	( 822)
Social Security and Medicare	1,856	1,856	
Total Unallocated	7,173	11,031	( 3,858)
Capital Outlay		12,481	( 12,481)
TOTAL EXPENDITURES	183,935	143,277	40,658

TOWNSHIP OF HAZELTON  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
 FOR THE YEAR ENDED MARCH 31, 2004  
 (Continued)

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	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 468</u>	37,103	<u>\$ 36,635</u>
PRIOR PERIOD ADJUSTMENT		( 39,948)	
FUND BALANCE, beginning		<u>61,899</u>	
FUND BALANCE, ending		<u>\$ 59,054</u>	

TOWNSHIP OF HAZELTON  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GARBAGE COLLECTION FUND**  
 FOR THE YEAR ENDED MARCH 31, 2004

=====

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Special assessments	\$ 92,463	\$ 92,130	\$( 333)
Interest earned	<u>          </u>	<u>125</u>	<u>125</u>
TOTAL REVENUES	92,463	92,255	( 208)
EXPENDITURES			
Current:			
Public works:			
Garbage collection	<u>92,463</u>	<u>95,944</u>	<u>( 3,481)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$          </u>	( 3,689)	<u>\$( 3,689)</u>
FUND BALANCE, beginning		<u>72,569</u>	
FUND BALANCE, ending		<u>\$ 68,880</u>	

TOWNSHIP OF HAZELTON  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**ROAD FUND**  
 FOR THE YEAR ENDED MARCH 31, 2004

=====

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Property taxes	\$ 75,798	\$ 66,307	\$( 9,491)
TOTAL REVENUES	75,798	66,307	( 9,491)
EXPENDITURES			
Current:			
Public works:			
Road maintenance	<u>75,798</u>	<u>63,095</u>	<u>12,703</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$</u>	3,212	<u>\$ 3,212</u>
FUND BALANCE, beginning		<u>63,772</u>	
FUND BALANCE, ending		<u>\$ 66,984</u>	

TOWNSHIP OF HAZELTON  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
 FOR THE YEAR ENDED MARCH 31, 2004

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	<u>Balance</u> April 1, 2003	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> March 31, 2004
<u>ASSETS</u>				
Cash	\$294,479	\$1,468,026	\$1,443,418	\$319,087
TOTAL ASSETS	<u>\$294,479</u>	<u>\$1,468,026</u>	<u>\$1,443,418</u>	<u>\$319,087</u>
<u>LIABILITIES</u>				
Due to other funds	\$ 81,953	\$ 221,737	\$ 166,425	\$137,265
Due to other government units	<u>212,526</u>	<u>1,246,289</u>	<u>1,276,993</u>	<u>181,822</u>
TOTAL LIABILITIES	<u>\$294,479</u>	<u>\$1,468,026</u>	<u>\$1,443,418</u>	<u>\$319,087</u>

COMMENTS AND RECOMMENDATIONS

**Barry E. Gaudette, CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

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Traverse City, Michigan 49686  
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Fax (231) 946-1377

Members of the Township  
Township of Hazelton  
Shiawassee County, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

This letter supplements the information in the General Purpose Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and should not be used for any other purpose.

*Barry E. Gaudette, CPA, PC*

January 28, 2005